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**SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-85130; File No. SR-CboeEDGX -2019-004]**

**Self-Regulatory Organizations; Cboe EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Fee Schedule as it Relates to Pricing for the Use of Certain Routing Strategies**

February 14, 2019

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 1, 2019, Cboe EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

Cboe EDGX Exchange, Inc. (“EDGX” or the “Exchange”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change to amend the fee schedule applicable to the EDGX equities trading platform (“EDGX Equities”) as it relates to pricing for the use of certain routing strategies. The text of the proposed rule change is attached as Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website ([http://markets.cboe.com/us/options/regulation/rule\\_filings/edgx/](http://markets.cboe.com/us/options/regulation/rule_filings/edgx/)), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and the Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to amend the EDGX Equities fee schedule to change the pricing applicable to orders routed using the ROUC routing strategy in connection with planned changes to the System routing table.<sup>3</sup> ROUC is a routing strategy offered by the Exchange that is used to target certain low cost protected market centers by routing to those venues after accessing available liquidity on the EDGX Book and certain non-exchange destinations, and prior to routing to other trading centers included in the System routing table and posting to the EDGX Book, if possible. The Exchange periodically changes the low cost venues targeted by the ROUC routing strategy to ensure that the venues prioritized for routing can be accessed at a low cost. Currently, four exchanges are included in the System routing table as low cost protected market centers: Cboe BYX Exchange, Inc. ("BYX"), Cboe EDGA Exchange, Inc. ("EDGA"), Nasdaq BX, Inc. ("BX"), and New York Stock Exchange LLC ("NYSE"). Pursuant

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<sup>3</sup> The term "System routing table" refers to the proprietary process for determining the specific trading venues to which the System routes orders and the order in which it routes them. See Rule 11.13(b)(3). The Exchange reserves the right to route orders simultaneously or sequentially, maintain a different System routing table for different routing options and to modify the System routing table at any time without notice. Id.

to Rule 11.11(g), the Exchange has determined to modify System routing table such that NYSE would no longer be listed as a low cost protected market center where orders are first routed after seeking available liquidity on the EDGX Book and certain non-exchange destinations. In addition, the Exchange has decided to add NYSE American LLC (“NYSE American”) and NYSE National, Inc. (“NYSE National”) as low cost protected market centers. These changes to the System routing table are scheduled to be introduced on February 1, 2019.

Currently, orders routed using the ROUC routing strategy are provided a rebate of \$0.00150 per share when routed to BYX,<sup>4</sup> charged a fee of \$0.00290 per share when routed to Nasdaq PSX (“PSX”),<sup>5</sup> or charged a fee of \$0.00200 per share when routed to a non-exchange destination.<sup>6</sup> Orders routed to other markets may be subject to different non-ROUC specific pricing. The Exchange proposes to add two new fee codes, MX and NX, that relate to orders routed to NYSE American and NYSE National, respectively, using the ROUC routing strategy. In securities at or above \$1.00, orders routed using the ROUC routing strategy would be charged a fee of \$0.00020 per share if executed on NYSE American, and provided a rebate of \$0.00200 per share if executed on NYSE National. As proposed, the Exchange would not charge a fee or provide a rebate for orders routed in securities priced below \$1.00. The proposed fees and

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<sup>4</sup> See EDGX Equities Schedule of Fees, fee code “BY.” This rebate applies to securities priced at or above \$1.00. For securities priced below \$1.00, a fee equal to 0.10% of the dollar value is applied instead. Id.

<sup>5</sup> See EDGX Equities Schedule of Fees, fee code “K.” This fee applies to securities priced at or above \$1.00. For securities priced below \$1.00, a fee equal to 0.30% of the dollar value is applied instead. Id.

<sup>6</sup> See EDGX Equities Schedule of Fees, fee code “Q.” This fee applies to securities priced at or above \$1.00. For securities priced below \$1.00, a fee equal to 0.30% of the dollar value is applied instead. Id.

rebates chosen for routing to these venues generally reflect the current transaction fees and rebates available for accessing liquidity on those markets.<sup>7</sup>

In addition, pursuant to fee code “I,” orders routed to EDGA that are not otherwise eligible for routing strategy specific rates specified in the fee schedule are provided a rebate of \$0.00240. The Exchange proposes that this rebate, which is a pass through of the current rebate available on EDGA, be applied specifically to orders routed using its low cost routing strategies – i.e., ROUC and ROUE. Orders routed to EDGA using other routing strategies would continue to qualify for routing strategy specific rates, which also largely reflect the current rebate available for orders that remove liquidity on EDGA,<sup>8</sup> or in limited circumstances would be charged based on the Exchange’s default routing rate of \$0.00300 per share.<sup>9</sup>

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6 of the Act,<sup>10</sup> in general, and furthers the requirements of Section 6(b)(4),<sup>11</sup> in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its members and other persons using its facilities. The Exchange believes the proposed routing fee changes are appropriate as they reflect changes to the System routing table used to determine

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<sup>7</sup> NYSE American currently charges a fee for removing liquidity that is \$0.00020 per share in securities priced at or above \$1.00, and 0.25% of the total dollar value of the transaction in securities priced below \$1.00. See NYSE American Equities Price List, I. Transaction Fees. NYSE National currently provides a rebate of \$0.00200 per share in securities priced at or above \$1.00 for members that achieve their taking tier. See NYSE National Schedule of Fees and Rebates, I. Transaction Fees, B. Tiered Rates. Orders that remove liquidity in securities below \$1.00 are executed without charge or rebate. See NYSE National, Schedule of Fees and Rebates, I. Transaction Fees, A. General Rates.

<sup>8</sup> See e.g., EDGX Equities Schedule of Fees, fee codes “AA” and “RR,” which similarly provide a rebate of \$0.00240 for orders routed to EDGA using the ALLB and DIRC routing strategies, respectively.

<sup>9</sup> See EDGX Equities Schedule of Fees, fee code “X.”

the order in which venues are accessed using the ROUC routing strategy. ROUC specifically targets certain equities exchanges that provide cheap executions or rebates to liquidity removing orders, and routes to those venues after trading with the EDGX Book and certain non-exchange destinations, and prior to accessing liquidity that may be available on other venues on the System routing table. The Exchange believes that the proposed changes reflect the intent of members when they submit routable order flow to the Exchange using the ROUC routing strategy.

The Exchange believes that it is reasonable and equitable to provide special pricing for orders routed to NYSE American and NYSE National using the ROUC routing strategy. As mentioned previously, the Exchange is adding these two exchanges to its list of low cost protected market centers, and wishes to provide the benefit of the rebate or lower fee provided by those markets to EDGX members using the ROUC routing strategy. The Exchange believes that these changes may increase interest in the Exchange's ROUC routing strategy, in particular, by passing on better pricing to EDGX members that choose to enter such orders on the Exchange, thereby encouraging additional order flow to be entered to the EDGX Book.

The rebates provided to orders routed to NYSE National using the ROUC routing strategy would be limited to order price at or above \$1.00 in light of the fact that NYSE National does not provide rebates to liquidity removing orders in securities priced below \$1.00. For securities priced below \$1.00, the Exchange would charge no fee and provide no rebate, which is equivalent to pricing on NYSE National.<sup>12</sup> Without limiting the proposed rebate for NYSE National to securities priced at or above \$1.00, the Exchange would pay a significant rebate that would not be recouped via a rebate earned from the execution venue. The Exchange believes that

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<sup>10</sup> 15 U.S.C. 78f.

<sup>11</sup> 15 U.S.C. 78f(b)(4).

<sup>12</sup> See supra note 8.

is reasonable and equitable to limit routing rebates to circumstances where the Exchange would actually earn a rebate from the away venue in order to properly recoup the costs of accessing liquidity on such markets. Similarly, the Exchange would charge no fee and provide no rebate for orders routed to NYSE American using the ROUC routing strategy in securities priced below \$1.00. Although such orders are charged a fee by NYSE American equal to 0.25% of the total dollar value of the transaction, the Exchange has determined to provide free executions as an additional inducement for members to send their routable order flow to EDGA.

The Exchange also believes that it is reasonable and equitable to limit fee code I to orders routed to EDGA using the ROUC and ROUE routing strategies, which are both intended as low cost routing strategies. This fee code is a catchall for orders routed to EDGA and applies to a limited subset of routing strategies that are not otherwise subject to special pricing pursuant to other fee codes. The Exchange believes that specifying the routing strategies to which this fee code would be applied will increase transparency around the pricing for orders routed using Exchange provided routing strategies. With this change, only a limited number of routing strategies would be subject to a higher default routing fee. The Exchange believes that it is reasonable and equitable to limit its pass through rebates to specified routing strategies where the Exchange has determined to offer such pricing as an inducement for members to utilize such strategies. The Exchange's routing functionality is offered on a purely voluntary basis and members that utilize routing strategies that are not subject to such an incentive are free to route their orders directly to EDGA, or to use other routing strategies where the Exchange has determined to provide pass through rebates.

Finally, the Exchange believes that the proposed changes are equitable and not unfairly discriminatory as the proposed fees and rebates would apply equally to all members that use the

Exchange to route orders using the associated routing strategy. The proposed fees are designed to reflect the fees charged and rebates offered by certain away trading centers that are accessed by Exchange routing strategies, and are being made in conjunction with changes to the System routing table designed to provide members with low cost executions for their routable order flow. Furthermore, if members do not favor the proposed pricing, they can send their routable orders directly to away markets instead of using routing functionality provided by the Exchange. Routing through the Exchange is voluntary, and the Exchange operates in a competitive environment where market participants can readily direct order flow to competing venues or providers of routing services if they deem fee levels to be excessive.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. The proposed routing fee changes are designed to reflect changes being made to the System routing table used to determine where to send certain routable orders, and generally provide better pricing to members for orders routed to low cost protected market centers using the Exchange's routing strategies. The Exchange operates in a highly competitive market in which market participants can readily direct their order flow to competing venues. In such an environment, the Exchange must continually review, and consider adjusting, its fees and rebates to remain competitive with other exchanges. For the reasons described above, the Exchange believes that the proposed fee changes reflect this competitive environment.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>13</sup> and paragraph (f) of Rule 19b-4<sup>14</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

#### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CboeEDGX-2019-004 on the subject line.

#### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CboeEDGX-2019-004. This file number should be included on the subject line if e-mail is used. To help the Commission process

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f).



and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of this filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-CboeEDGX-2019-004 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>15</sup>

**Eduardo A. Aleman,**  
*Deputy Secretary.*

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<sup>15</sup> 17 CFR 200.30-3(a)(12).

